

103^D CONGRESS
1ST SESSION

H. R. 2392

To amend the Internal Revenue Code of 1986 to reinstate a 5-percent investment tax credit, to reduce capital gains taxes, to provide certain tax incentives for investments on closed defense bases, and to provide for the use of certain defense funds for the provision of services to certain dislocated defense workers receiving assistance under the Job Training Partnership Act.

IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1993

Mr. ZELIFF (for himself, Mr. BURTON of Indiana, Mr. HUNTER, Mr. SOLOMON, and Mr. BALLENGER) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Education and Labor, and Armed Services

A BILL

To amend the Internal Revenue Code of 1986 to reinstate a 5-percent investment tax credit, to reduce capital gains taxes, to provide certain tax incentives for investments on closed defense bases, and to provide for the use of certain defense funds for the provision of services to certain dislocated defense workers receiving assistance under the Job Training Partnership Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Economic Resurgence and Jobs for America Act”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 **TITLE I—INVESTMENT TAX**
11 **CREDIT**

12 **SEC. 101. REINSTATEMENT OF 5-PERCENT INVESTMENT**
13 **TAX CREDIT.**

14 (a) IN GENERAL.—Subpart E of part IV of sub-
15 chapter A of chapter 1 (relating to rules for computing
16 credit for investment in certain depreciable property), as
17 amended by subsection (b)(2), is amended by adding at
18 the end the following new section:

19 **“SEC. 50. 5-PERCENT REGULAR INVESTMENT CREDIT.**

20 “With respect to any property placed in service after
21 December 31, 1992—

22 “(1) section 49 shall not apply, and

23 “(2) the regular percentage for purposes of this
24 subpart shall be 5 percent.”

25 (b) CONFORMING AMENDMENTS.—

1 (1) The table of sections for such subpart E is
 2 amended by adding at the end the following new
 3 item:

“Sec. 50. 5-percent regular investment credit.”

4 (2) Section 11813 of the Revenue Reconcili-
 5 ation Act of 1990 (Public Law 101–508) is hereby
 6 repealed, and the Internal Revenue Code of 1986
 7 shall be applied and administered as if such section
 8 (and the amendments made by such section) had
 9 never been enacted.

10 **TITLE II—CAPITAL GAINS TAX** 11 **REDUCTION**

12 **SEC. 201. REDUCTION IN INDIVIDUAL CAPITAL GAINS** 13 **RATE.**

14 (a) GENERAL RULE.—Subsection (h) of section 1 (re-
 15 lating to maximum capital gains rate) is amended to read
 16 as follows:

17 “(h) MAXIMUM CAPITAL GAINS RATE.—If a taxpayer
 18 has a net capital gain for any taxable year, then the tax
 19 imposed by this section shall not exceed the sum of—

20 “(1) a tax computed at the rates and in the
 21 same manner as if this subsection had not been en-
 22 acted on the taxable income reduced by the net cap-
 23 ital gain, plus

24 “(2) a tax equal to the sum of—

“(A) 7.5 percent of so much of the net capital gain as does not exceed—

“(i) the maximum amount of taxable income to which the 15-percent rate applies under the table applicable to the taxpayer, reduced by

“(ii) the taxable income to which paragraph (1) applies, plus

“(B) 15 percent of the net capital gain in excess of the net capital gain to which subparagraph (A) applies.”

(b) PHASE-OUT OF PERSONAL EXEMPTIONS AND LIMITATION ON DEDUCTION OF ITEMIZED DEDUCTIONS NOT TO RESULT FROM NET CAPITAL GAIN.—

(1)(A) Subparagraphs (A) and (B) of section 151(d)(3) (relating to phaseout of exemption amount) are each amended by inserting “modified” before “adjusted gross income”.

(B) Paragraph (3) of section 151(d) of such Code is amended by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively, and by inserting after subparagraph (C) the following new subparagraph:

“(D) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the

1 term ‘modified adjusted gross income’ means
2 adjusted gross income reduced by the net cap-
3 ital gain.”

4 (2) Subsection (a) of section 68 (relating to
5 overall limitation on itemized deductions) is amend-
6 ed by inserting “(reduced by the net capital gain)”
7 after “adjusted gross income”.

8 (c) TECHNICAL AMENDMENTS.—

9 (1) Paragraph (1) of section 170(e) is amended
10 by striking “the amount of gain” in the material fol-
11 lowing subparagraph (B)(ii) and inserting “13/28
12 (19/34 in the case of a corporation) of the amount
13 of gain”.

14 (2)(A) The second sentence of section
15 7518(g)(6)(A) is amended by striking “28 percent
16 (34 percent in the case of a corporation)” and in-
17 serting “15 percent”.

18 (B) The second sentence of section
19 607(h)(6)(A) of the Merchant Marine Act, 1936, is
20 amended by striking “28 percent (34 percent in the
21 case of a corporation)” and inserting “15 percent”.

1 **SEC. 202. REDUCTION IN CORPORATE CAPITAL GAINS**
2 **RATE.**

3 (a) GENERAL RULE.—Section 1201 (relating to al-
4 ternative tax for corporations) is amended by striking sub-
5 section (a) and inserting the following:

6 “(a) GENERAL RULE.—If for any taxable year a cor-
7 poration has a net capital gain, then, in lieu of the tax
8 imposed by section 11, 511, or 831(a) (whichever applies),
9 there is hereby imposed a tax (if such tax is less than
10 the tax imposed by such section) which shall consist of
11 the sum of—

12 “(1) a tax computed on the taxable income re-
13 duced by the net capital gain, at the same rates and
14 in the same manner as if this subsection had not
15 been enacted, plus

16 “(2) a tax of 15 percent of the net capital
17 gain.”

18 (b) TECHNICAL AMENDMENTS.—

19 (1) Clause (iii) of section 852(b)(3)(D) is
20 amended by striking “66 percent” and inserting “85
21 percent”.

22 (2) Paragraphs (1) and (2) of section 1445(e)
23 are each amended by striking “34 percent” and in-
24 serting “15 percent”.

1 **SEC. 203. REDUCTION OF MINIMUM TAX RATE ON CAPITAL**
2 **GAINS.**

3 Subparagraph (A) of section 55(b)(1) (relating to
4 tentative minimum tax) is amended to read as follows:

5 “(A) the sum of—

6 “(i) 15 percent of the lesser of—

7 “(I) the net capital gain (deter-
8 mined with the adjustments provided
9 in this part), or

10 “(II) so much of the alternative
11 minimum taxable income for the tax-
12 able year as exceeds the exemption
13 amount, plus

14 “(ii) 20 percent (24 percent in the
15 case of a taxpayer other than a corpora-
16 tion) of the amount (if any) by which the
17 excess referred to in clause (i)(II) exceeds
18 the net capital gain (as so determined), re-
19 duced by”.

20 **SEC. 204. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
21 **OF DETERMINING GAIN OR LOSS.**

22 (a) IN GENERAL.—Part II of subchapter O of chap-
23 ter 1 (relating to basis rules of general application) is
24 amended by inserting after section 1021 the following new
25 section:

1 **“SEC. 1022. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
2 **OF DETERMINING GAIN OR LOSS.**

3 “(a) GENERAL RULE.—

4 “(1) INDEXED BASIS SUBSTITUTED FOR AD-
5 JUSTED BASIS.—Except as provided in paragraph
6 (2), if an indexed asset which has been held for
7 more than 1 year is sold or otherwise disposed of,
8 for purposes of this title the indexed basis of the
9 asset shall be substituted for its adjusted basis.

10 “(2) EXCEPTION FOR DEPRECIATION, ETC.—
11 The deduction for depreciation, depletion, and amor-
12 tization shall be determined without regard to the
13 application of paragraph (1) to the taxpayer or any
14 other person.

15 “(b) INDEXED ASSET.—

16 “(1) IN GENERAL.—For purposes of this sec-
17 tion, the term ‘indexed asset’ means—

18 “(A) stock in a corporation, and

19 “(B) tangible property (or any interest
20 therein), which is a capital asset of property
21 used in the trade or business (as defined in sec-
22 tion 1231(b)).

23 “(2) CERTAIN PROPERTY EXCLUDED.—For
24 purposes of this section, the term ‘indexed asset’
25 does not include—

1 “(A) CREDITOR’S INTEREST.—Any interest
2 in property which is in the nature of a credi-
3 tor’s interest.

4 “(B) OPTIONS.—Any option or other right
5 to acquire an interest in property.

6 “(C) NET LEASE PROPERTY.—In the case
7 of a lessor, net lease property (within the mean-
8 ing of subsection (h)(1)).

9 “(D) CERTAIN PREFERRED STOCK.—Stock
10 which is fixed and preferred as to dividends and
11 does not participate in corporate growth to any
12 significant extent.

13 “(E) STOCK IN CERTAIN CORPORATIONS.—
14 Stock in—

15 “(i) an S corporation (within the
16 meaning of section 1361),

17 “(ii) a personal holding company (as
18 defined in section 542), and

19 “(iii) a foreign corporation.

20 “(3) EXCEPTION FOR STOCK IN FOREIGN COR-
21 PORATION WHICH IS REGULARLY TRADED ON NA-
22 TIONAL OR REGIONAL EXCHANGE.—Clause (iii) of
23 paragraph (2)(E) shall not apply to stock in a for-
24 eign corporation the stock of which is listed on the
25 New York Stock Exchange, the American Stock Ex-

1 change, or any domestic regional exchange for which
2 quotations are published on a regular basis other
3 than—

4 “(A) stock of a foreign investment com-
5 pany (within the meaning of section 1246(b)),
6 and

7 “(B) stock in a foreign corporation held by
8 a United States person who meets the require-
9 ments of section 1248(a)(2).

10 “(c) INDEXED BASIS.—For purposes of this sec-
11 tion—

12 “(1) INDEXED BASIS.—The indexed basis for
13 any asset is—

14 “(A) the adjusted basis of the asset, multi-
15 plied by

16 “(B) the applicable inflation ratio.

17 “(2) APPLICABLE INFLATION RATIO.—The ap-
18 plicable inflation ratio for any asset is the percent-
19 age arrived at by dividing—

20 “(A) the gross national product deflator
21 for the calendar quarter in which the disposi-
22 tion takes place, by

23 “(B) the gross national product deflator
24 for the calendar quarter in which the asset was

1 acquired by the taxpayer (or, if later, the cal-
2 endar quarter ending December 31, 1992).

3 The applicable inflation ratio shall not be taken into
4 account unless it is greater than 1. The applicable
5 inflation ratio for any asset shall be rounded to the
6 nearest one-tenth of 1 percent.

7 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
8 The gross national product deflator for any calendar
9 quarter is the implicit price deflator for the gross
10 national product for such quarter (as shown in the
11 1st revision thereof).

12 “(4) SECRETARY TO PUBLISH TABLES.—The
13 Secretary shall publish tables specifying the applica-
14 ble inflation ratios for each calendar quarter.

15 “(d) SPECIAL RULES.—For purposes of this sec-
16 tion—

17 “(1) TREATMENT AS SEPARATE ASSET.—In the
18 case of any asset, the following shall be treated as
19 a separate asset:

20 “(A) a substantial improvement to prop-
21 erty,

22 “(B) in the case of stock of a corporation,
23 a substantial contribution to capital, and

24 “(C) any other portion of an asset to the
25 extent that separate treatment of such portion

1 is appropriate to carry out the purposes of this
2 section.

3 “(2) ASSETS WHICH ARE NOT INDEXED ASSETS
4 THROUGHOUT HOLDING PERIOD.—

5 “(A) IN GENERAL.—The applicable infla-
6 tion ratio shall be appropriately reduced for cal-
7 endar months at any time during which the
8 asset was not an indexed asset.

9 “(B) CERTAIN SHORT SALES.—For pur-
10 poses of applying subparagraph (A), an asset
11 shall be treated as not an indexed asset for any
12 short sale period during which the taxpayer or
13 the taxpayer’s spouse sells short property sub-
14 stantially identical to the asset. For purposes of
15 the preceding sentence, the short sale period be-
16 gins on the day after the substantially identical
17 property is sold and ends on the closing date
18 for the sale.

19 “(3) TREATMENT OF CERTAIN DISTRIBUTU-
20 TIONS.—A distribution with respect to stock in a
21 corporation which is not a dividend shall be treated
22 as a disposition.

23 “(4) SECTION CANNOT INCREASE ORDINARY
24 LOSS.—To the extent that (but for this paragraph)
25 this section would create or increase a net ordinary

1 loss to which section 1231(a)(2) applies or an ordi-
2 nary loss to which any other provision of this title
3 applies, such provision shall not apply. The taxpayer
4 shall be treated as having a long-term capital loss in
5 an amount equal to the amount of the ordinary loss
6 to which the preceding sentence applies.

7 “(5) ACQUISITION DATE WHERE THERE HAS
8 BEEN PRIOR APPLICATION OF SUBSECTION (a)(1)
9 WITH RESPECT TO THE TAXPAYER.—If there has
10 been a prior application of subsection (a)(1) to an
11 asset while such asset was held by the taxpayer, the
12 date of acquisition of such asset by the taxpayer
13 shall be treated as not earlier than the date of the
14 most recent such prior application.

15 “(6) COLLAPSIBLE CORPORATIONS.—The appli-
16 cation of section 341(a) (relating to collapsible cor-
17 porations) shall be determined without regard to this
18 section.

19 “(e) CERTAIN CONDUIT ENTITIES.—

20 “(1) REGULATED INVESTMENT COMPANIES;
21 REAL ESTATE INVESTMENT TRUSTS; COMMON TRUST
22 FUNDS.—

23 “(A) IN GENERAL.—Stock in a qualified
24 investment entity shall be an indexed asset for
25 any calendar month in the same ratio as the

1 fair market value of the assets held by such en-
2 tity at the close of such month which are in-
3 dexed assets bears to the fair market value of
4 all assets of such entity at the close of such
5 month.

6 “(B) RATIO OF 90 PERCENT OR MORE.—If
7 the ratio for any calendar month determined
8 under subparagraph (A) would (but for this
9 subparagraph) be 90 percent or more, such
10 ratio for such month shall be 100 percent.

11 “(C) RATIO OF 10 PERCENT OR LESS.—If
12 the ratio for any calendar month determined
13 under subparagraph (A) would (but for this
14 subparagraph) be 10 percent or less, such ratio
15 for such month shall be zero.

16 “(D) VALUATION OF ASSETS IN CASE OF
17 REAL ESTATE INVESTMENT TRUSTS.—Nothing
18 in this paragraph shall require a real estate in-
19 vestment trust to value its assets more fre-
20 quently than once each 36 months (except
21 where such trust ceases to exist). The ratio
22 under subparagraph (A) for any calendar
23 month for which there is no valuation shall be
24 the trustee’s good faith judgment as to such
25 valuation.

1 “(E) QUALIFIED INVESTMENT ENTITY.—

2 For purposes of this paragraph, the term
3 ‘qualified investment entity’ means—

4 “(i) a regulated investment company
5 (within the meaning of section 851),

6 “(ii) a real estate investment trust
7 (within the meaning of section 856), and

8 “(iii) a common trust fund (within the
9 meaning of section 584).

10 “(2) PARTNERSHIPS.—In the case of a partner-
11 ship, the adjustment made under subsection (a) at
12 the partnership level shall be passed through to the
13 partners.

14 “(3) SUBCHAPTER S CORPORATIONS.—In the
15 case of an electing small business corporation, the
16 adjustment under subsection (a) at the corporate
17 level shall be passed through to the shareholders.

18 “(f) DISPOSITIONS BETWEEN RELATED PERSONS.—

19 “(1) IN GENERAL.—This section shall not apply
20 to any sale or other disposition of property between
21 related persons except to the extent that the basis
22 of such property in the hands of the transferee is a
23 substituted basis.

1 “(2) RELATED PERSONS DEFINED.—For pur-
2 poses of this section, the term ‘related persons’
3 means—

4 “(A) persons bearing a relationship set
5 forth in section 267(b), and

6 “(B) persons treated as single employer
7 under subsection (b) or (c) of section 414.

8 “(g) TRANSFERS TO INCREASE INDEXING ADJUST-
9 MENT OR DEPRECIATION ALLOWANCE.—If any person
10 transfers cash, debt, or any other property to another per-
11 son and the principal purpose of such transfer is—

12 “(1) to secure or increase an adjustment under
13 subsection (a), or

14 “(2) to increase (by reason of an adjustment
15 under subsection (a)) a deduction for depreciation,
16 depletion, or amortization,

17 the Secretary may disallow part or all of such adjustment
18 or increase.

19 “(h) DEFINITIONS.—For purposes of this section—

20 “(1) NET LEASE PROPERTY DEFINED.—The
21 term ‘net lease property’ means leased real property
22 where—

23 “(A) the term of the lease (taking into ac-
24 count options to renew) was 50 percent or more
25 of the useful life of the property, and

1 “(B) for the period of the lease, the sum
2 of the deductions with respect to such property
3 which are allowable to the lessor solely by rea-
4 son of section 162 (other than rents and reim-
5 bursed amounts with respect to such property)
6 is 15 percent or less of the rental income pro-
7 duced by such property.

8 “(2) STOCK INCLUDES INTEREST IN COMMON
9 TRUST FUND.—The term ‘stock in a corporation’ in-
10 cludes any interest in a common trust fund (as de-
11 fined in section 584(a)).

12 “(i) REGULATIONS.—The Secretary shall prescribe
13 such regulations as may be necessary or appropriate to
14 carry out the purposes of this section.”

15 (b) CLERICAL AMENDMENT.—The table of sections
16 for part II of subchapter O of such chapter 1 is amended
17 by inserting after the item relating to section 1021 the
18 following new item:

“Sec. 1022. Indexing of certain assets for purposes of determining
gain or loss.”

19 (c) ADJUSTMENT TO APPLY FOR PURPOSES OF DE-
20 TERMINING EARNINGS AND PROFITS.—Subsection (f) of
21 section 312 (relating to effect on earnings and profits of
22 gain or loss and of receipt of tax-free distributions) is
23 amended by adding at the end the following new para-
24 graph:

1 “(3) EFFECT ON EARNINGS AND PROFITS OF
2 INDEXED BASIS.—

**“For substitution of indexed basis for adjusted
basis in the case of the disposition of certain assets
after December 31, 1992, see section 1022(a)(1).”**

3 **SEC. 205. INDEXING OF LIMITATION ON CAPITAL LOSSES**
4 **OF INDIVIDUALS.**

5 Section 1211 (relating to limitation on capital losses)
6 is amended by adding at the end the following new sub-
7 section:

8 “(c) INDEXATION OF LIMITATION ON
9 NONCORPORATE TAXPAYERS.—

10 “(1) IN GENERAL.—In the case of any taxable
11 year beginning in a calendar year after 1992, the
12 \$3,000 and \$1,500 amounts under subsection (b)(1)
13 shall be increased by an amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the applicable inflation adjustment
16 for the calendar year in which the taxable year
17 begins.

18 “(2) APPLICABLE INFLATION ADJUSTMENT.—
19 For purposes of paragraph (1), the applicable infla-
20 tion adjustment for any calendar year is the percent-
21 age (if any) by which—

22 “(A) the gross national product deflator
23 for the last calendar quarter of the preceding
24 calendar year, exceeds

1 “(B) the gross national product deflator
2 for the last calendar quarter of 1991.

3 For purposes of this paragraph, the term ‘gross na-
4 tional product deflator’ has the meaning given such
5 term by section 1022(c)(3).”

6 **SEC. 206. EFFECTIVE DATES.**

7 (a) IN GENERAL.—Except as provided in subsection
8 (b), the amendments made by this title shall apply to sales
9 or exchanges occurring after December 31, 1992.

10 (b) INDEXING OF LOSS LIMITATION.—The amend-
11 ment made by section 205 shall apply to taxable years be-
12 ginning after December 31, 1992

13 **TITLE III—INCENTIVES FOR RE-**
14 **DEVELOPMENT OF CLOSED**
15 **MILITARY BASES**

16 **SEC. 301. TAX INCENTIVES FOR INVESTMENTS ON CLOSED**
17 **MILITARY BASES.**

18 (a) GENERAL RULE.—Chapter 1 (relating to normal
19 taxes and surtaxes) is amended by inserting after sub-
20 chapter T the following new subchapter:

21 **“Subchapter U—Investment Incentives for Closed**
22 **Military Bases**

“Sec. 1391. Exclusion of gain from closed military base invest-
ments.

“Sec. 1392. Modification of passive loss rules.

“Sec. 1393. Additional incentives.

“Sec. 1394. Closed base business defined.

“Sec. 1395. Qualified closed military base defined.

“Sec. 1396. Regulations.

1 **“SEC. 1391. EXCLUSION OF GAIN FROM CLOSED MILITARY**
2 **BASE INVESTMENTS.**

3 “(a) GENERAL RULE.—Gross income shall not in-
4 clude 100 percent of any qualified capital gain recognized
5 on the sale or exchange of a qualified closed base asset
6 held for more than 5 years.

7 “(b) QUALIFIED CLOSED BASE ASSET.—For pur-
8 poses of this section—

9 “(1) IN GENERAL.—The term ‘qualified closed
10 base asset’ means—

11 “(A) any qualified stock,

12 “(B) any qualified business property, and

13 “(C) any qualified partnership interest.

14 Such term shall not include any property acquired
15 by the taxpayer after November 30, 1997.

16 “(2) QUALIFIED STOCK.—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the term ‘qualified stock’
19 means any stock in a domestic corporation if—

20 “(i) such stock is acquired by the tax-
21 payer on original issue from the corpora-
22 tion solely in exchange for cash,

23 “(ii) as of the time such stock was is-
24 sued, such corporation was a closed base

1 business (or, in the case of a new corpora-
2 tion, such corporation was being organized
3 for purposes of being a closed base busi-
4 ness), and

5 “(iii) during substantially all of the
6 taxpayer’s holding period for such stock,
7 such corporation qualified as a closed base
8 business.

9 “(B) REDEMPTIONS.—The term ‘qualified
10 stock’ shall not include any stock acquired from
11 a corporation which made a substantial stock
12 redemption or distribution (without a bona fide
13 business purpose therefor) in an attempt to
14 avoid the purposes of this section.

15 “(3) QUALIFIED BUSINESS PROPERTY.—

16 “(A) IN GENERAL.—The term ‘qualified
17 business property’ means any property if—

18 “(i) such property was acquired by
19 the taxpayer by purchase (as defined in
20 section 179(d)(2)) after the date on which
21 the closure of the military base occurred,

22 “(ii) the original use of such property
23 on a qualified closed military base com-
24 mences with the taxpayer, and

1 “(iii) during substantially all of the
2 taxpayer’s holding period for such prop-
3 erty, substantially all of the use of such
4 property was within a qualified closed mili-
5 tary base and in a closed base business of
6 the taxpayer.

7 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
8 PROVEMENTS.—The requirements of clauses (i)
9 and (ii) of subparagraph (A) shall be treated as
10 satisfied with respect to—

11 “(i) property which is substantially
12 improved by the taxpayer, and

13 “(ii) any land on which such property
14 is located.

15 For purposes of the preceding sentence, prop-
16 erty shall be treated as substantially improved
17 by the taxpayer if, during any 24-month period
18 beginning after the date on which closure of the
19 military base occurred, additions to basis with
20 respect to such property in the hands of the
21 taxpayer exceed the greater of (i) an amount
22 equal to the adjusted basis at the beginning of
23 such 24-month period in the hands of the tax-
24 payer, or (ii) \$5,000.

1 “(C) LIMITATION ON LAND.—The term
2 ‘qualified business property’ shall not include
3 land which is not an integral part of a qualified
4 business.

5 “(4) QUALIFIED PARTNERSHIP INTEREST.—
6 The term ‘qualified partnership interest’ means any
7 interest in a partnership if—

8 “(A) such interest is acquired by the tax-
9 payer from the partnership solely in exchange
10 for cash,

11 “(B) as of the time such interest was ac-
12 quired, such partnership was a closed base busi-
13 ness (or, in the case of a new partnership, such
14 partnership was being organized for purposes of
15 being a closed base business), and

16 “(C) during substantially all of the tax-
17 payer’s holding period for such interest, such
18 partnership qualified as a closed base business.

19 A rule similar to the rule of paragraph (2)(B) shall
20 apply for purposes of this paragraph.

21 “(5) TREATMENT OF SUBSEQUENT PUR-
22 CHASERS.—The term ‘qualified closed base asset’ in-
23 cludes any property which would be a qualified
24 closed base asset but for paragraph (2)(A)(i),
25 (3)(A)(ii), or (4)(A) in the hands of the taxpayer if

1 such property was a qualified closed base asset in
2 the hands of any prior holder.

3 “(6) 10-YEAR SAFE HARBOR.—If any property
4 ceases to be a qualified closed base asset by reason
5 of paragraph (2)(A)(iii), (3)(A)(iii), or (4)(C) after
6 the 10-year period beginning on the date the tax-
7 payer acquired such property, such property shall
8 continue to be treated as meeting the requirements
9 of such paragraph; except that the amount of gain
10 to which subsection (a) applies on any sale or ex-
11 change of such property shall not exceed the amount
12 which would be qualified capital gain had such prop-
13 erty been sold on the date of such cessation.

14 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—
15 For purposes of this section—

16 “(1) QUALIFIED CAPITAL GAIN.—Except as
17 otherwise provided in this subsection, the term
18 ‘qualified capital gain’ means any long-term capital
19 gain.

20 “(2) CERTAIN GAIN ON REAL PROPERTY NOT
21 QUALIFIED.—The term ‘qualified capital gain’ shall
22 not include any gain which would be treated as ordi-
23 nary income under section 1250 if section 1250 ap-
24 plied to all depreciation rather than the additional
25 depreciation.

1 “(d) TREATMENT OF PASS-THRU ENTITIES.—

2 “(1) SALES AND EXCHANGES.—Gain on the
3 sale or exchange of an interest in a pass-thru entity
4 held by the taxpayer (other than an interest in an
5 entity which was a closed base business during sub-
6 stantially all of the period the taxpayer held such in-
7 terest) for more than 5 years shall be treated as
8 gain described in subsection (a) to the extent such
9 gain is attributable to amounts which would be
10 qualified capital gain on qualified closed base assets
11 (determined as if such assets had been sold on the
12 date of the sale or exchange) held by such entity for
13 more than 5 years and throughout the period the
14 taxpayer held such interest. A rule similar to the
15 rule of paragraph (2)(C) shall apply for purposes of
16 the preceding sentence.

17 “(2) INCOME INCLUSIONS.—

18 “(A) IN GENERAL.—Any amount included
19 in income by reason of holding an interest in a
20 pass-thru entity (other than an entity which
21 was a closed base business during substantially
22 all of the period the taxpayer held the interest
23 to which such inclusion relates) shall be treated
24 as gain described in subsection (a) if such

1 amount meets the requirements of subpara-
2 graph (B).

3 “(B) REQUIREMENTS.—An amount meets
4 the requirements of this subparagraph if—

5 “(i) such amount is attributable to
6 qualified capital gain recognized on the
7 sale or exchange by the pass-thru entity of
8 property which is a qualified closed base
9 asset in the hands of such entity and
10 which was held by such entity for the pe-
11 riod required under subsection (a), and

12 “(ii) such amount is includible in the
13 gross income of the taxpayer by reason of
14 the holding of an interest in such entity
15 which was held by the taxpayer on the date
16 on which such pass-thru entity acquired
17 such asset and at all times thereafter be-
18 fore the disposition of such asset by such
19 pass-thru entity.

20 “(C) LIMITATION BASED ON INTEREST
21 ORIGINALLY HELD BY TAXPAYER.—Subpara-
22 graph (A) shall not apply to any amount to the
23 extent such amount exceeds the amount to
24 which subparagraph (A) would have applied if
25 such amount were determined by reference to

1 the interest the taxpayer held in the pass-thru
2 entity on the date the qualified zone asset was
3 acquired.

4 “(3) PASS-THRU ENTITY.—For purposes of this
5 subsection, the term ‘pass-thru entity’ means—

6 “(A) any partnership,

7 “(B) any S corporation,

8 “(C) any regulated investment company,
9 and

10 “(D) any common trust fund.

11 “(e) SALES AND EXCHANGES OF INTERESTS IN
12 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
13 CLOSED BASE BUSINESSES.—In the case of the sale or
14 exchange of an interest in a partnership, or of stock in
15 an S corporation, which was a closed base business during
16 substantially all of the period the taxpayer held such inter-
17 est or stock, the amount of qualified capital gain shall be
18 determined without regard to—

19 “(1) any intangible, and any land, which is not
20 an integral part of any qualified business, and

21 “(2) gain attributable to periods before the clo-
22 sure of the military base.

23 “(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—
24 For purposes of this section—

1 “(1) IN GENERAL.—In the case of a transfer of
2 a qualified closed base asset to which this subsection
3 applies, the transferee shall be treated as—

4 “(A) having acquired such asset in the
5 same manner as the transferor, and

6 “(B) having held such asset during any
7 continuous period immediately preceding the
8 transfer during which it was held (or treated as
9 held under this subsection) by the transferor.

10 “(2) TRANSFERS TO WHICH SUBSECTION AP-
11 PLIES.—This subsection shall apply to any trans-
12 fer—

13 “(A) by gift,

14 “(B) at death, or

15 “(C) from a partnership to a partner
16 thereof of a qualified closed base asset with re-
17 spect to which the requirements of subsection
18 (d)(2) are met at the time of the transfer (with-
19 out regard to the 5-year holding requirement).

20 “(3) CERTAIN RULES MADE APPLICABLE.—
21 Rules similar to the rules of section 1244(d)(2) shall
22 apply for purposes of this section.

23 “(g) CERTAIN BUSINESSES TREATED AS NOT
24 QUALIFIED BUSINESSES.—For purposes of this section,
25 the term ‘closed base business’ has the meaning given such

1 term by section 1394; except that, in applying section
2 1394 for such purposes, the term ‘qualified business’ shall
3 not include any trade or business of producing property
4 of a character subject to the allowance for depletion under
5 section 611.

6 **“SEC. 1392. MODIFICATION OF PASSIVE LOSS RULES.**

7 “(a) IN GENERAL.—If this section applies to any tax-
8 payer for a taxable year—

9 “(1) paragraph (2) of section 469(c) shall not
10 apply to any qualified rental real estate activity of
11 such taxpayer for such taxable year, and

12 “(2) this section shall be applied as if each in-
13 terest of the taxpayer in rental real estate described
14 in subsection (b) were a separate activity.

15 Notwithstanding paragraph (2), a taxpayer may elect to
16 treat all interests in rental real estate described in sub-
17 section (b) as one activity. Nothing in the preceding provi-
18 sions of this subsection shall be construed as affecting the
19 determination of whether the taxpayer materially partici-
20 pates with respect to any interest in a limited partnership
21 as a limited partner.

22 “(b) QUALIFIED RENTAL REAL ESTATE ACTIVITY.—
23 For purposes of this section, the term ‘qualified rental real
24 estate activity’ means any rental real estate activity with
25 respect to any real property which—

1 “(1) is located within a qualified closed base,
2 and

3 “(2) is acquired by the taxpayer after the date
4 on which such base was closed and before December
5 1, 1998.

6 “(c) TAXPAYERS TO WHOM SECTION APPLIES.—
7 This section shall apply to a taxpayer for a taxable year
8 if more than one-half of the personal services performed
9 in trades or businesses by the taxpayer during such tax-
10 able year are performed in real property trades or busi-
11 nesses in which the taxpayer materially participates.

12 “(d) REAL PROPERTY TRADE OR BUSINESS.—For
13 purposes of this section, the term ‘real property trade or
14 business’ means any real property development, redevelop-
15 ment, construction, reconstruction, acquisition, conver-
16 sion, rental, operation, management, leasing, or brokerage
17 trade or business.

18 “(e) SPECIAL RULES FOR SUBSECTION (c).—

19 “(1) CLOSELY HELD C CORPORATIONS.—In the
20 case of a closely held C corporation, the require-
21 ments of subsection (c) shall be treated as met for
22 any taxable year if more than 50 percent of the
23 gross receipts of such corporation for such taxable
24 year are derived from real property trades or busi-

1 nesses in which the corporation materially partici-
2 pates.

3 “(2) PERSONAL SERVICES AS AN EMPLOYEE.—
4 For purposes of subsection (c), personal services
5 performed as an employee shall not be treated as
6 performed in real property trades or businesses. The
7 preceding sentence shall not apply if such employee
8 is a 5-percent owner (as defined in section
9 416(i)(1)(B)) in the employer.

10 **“SEC. 1393. ADDITIONAL INCENTIVES.**

11 “(a) INCREASE IN EXPENSING UNDER SECTION
12 179.—In the case of a closed base business, section
13 179(b)(1) shall be applied by substituting ‘\$50,000’ for
14 ‘\$10,000’; except that any increase under this subsection
15 in such dollar amount for any taxable year shall not exceed
16 \$250,000 reduced by the aggregate additional amount al-
17 lowed as a deduction under section 179 for prior taxable
18 years by reason of this subsection. The preceding sentence
19 shall not apply to property acquired after November 30,
20 1997.

21 “(b) ORDINARY LOSS TREATMENT FOR CERTAIN
22 PROPERTY.—

23 “(1) IN GENERAL.—Loss on any qualified
24 closed base asset (as defined in section 1391(b))

1 held for more than 2 years (5 years in the case of
2 real property) shall be treated as an ordinary loss.

3 “(2) REAL PROPERTY.—For purposes of para-
4 graph (1), the term ‘real property’ means any prop-
5 erty which is section 1250 property (as defined in
6 section 1250(c)).

7 “(3) SPECIAL RULES.—

8 “(A) CERTAIN RULES MADE APPLICA-
9 BLE.—For purposes of this subsection, rules
10 similar to the following rules shall apply:

11 “(i) Paragraphs (1), (2), and (3) of
12 section 1244(d).

13 “(ii) Subsections (b)(6), (d), (e), and
14 (f) of section 1391.

15 “(B) COORDINATION WITH SECTION
16 1231.—Losses treated as ordinary losses by rea-
17 son of this subsection shall not be taken into
18 account in applying section 1231.

19 **“SEC. 1394. CLOSED BASE BUSINESS DEFINED.**

20 “(a) IN GENERAL.—For purposes of this subchapter,
21 the term ‘closed base business’ means—

22 “(1) any qualified business entity, and

23 “(2) any qualified proprietorship.

24 “(b) QUALIFIED BUSINESS ENTITY.—For purposes
25 of this section, the term ‘qualified business entity’ means,

1 with respect to any taxable year, any corporation or part-
2 nership if for such year—

3 “(1)(A) every trade or business of such entity
4 is the active conduct of a qualified business within
5 a qualified closed military base, and

6 “(B) at least 80 percent of the total gross in-
7 come of such entity is derived from the active con-
8 duct of such business,

9 “(2) substantially all of the use of the tangible
10 property of such entity (whether owned or leased) is
11 within a qualified closed military base,

12 “(3) substantially all of the intangible property
13 of such entity is used in, and exclusively related to,
14 the active conduct of any such business,

15 “(4) substantially all of the services performed
16 for such entity by its employees are performed with-
17 in a qualified closed military base,

18 “(5) less than 5 percent of the average of the
19 aggregate unadjusted bases of the property of such
20 entity is attributable to collectibles (as defined in
21 section 408(m)(2)) other than collectibles that are
22 held primarily for sale to customers in the ordinary
23 course of such business, and

24 “(6) less than 5 percent of the average of the
25 aggregate unadjusted bases of the property of such

1 entity is attributable to nonqualified financial prop-
2 erty.

3 “(c) QUALIFIED PROPRIETORSHIP.—For purposes of
4 this section, the term ‘qualified proprietorship’ means,
5 with respect to any taxable year, any qualified business
6 carried on by an individual as a proprietorship if for such
7 year—

8 “(1) at least 80 percent of the total gross in-
9 come of such individual from such business is de-
10 rived from the active conduct of such business within
11 a qualified closed base,

12 “(2) substantially all of the use of the tangible
13 property of such individual in such business (wheth-
14 er owned or leased) is within a qualified closed base,

15 “(3) substantially all of the intangible property
16 of such business is used in, and exclusively related
17 to, the active conduct of such business,

18 “(4) substantially all of the services performed
19 for such individual in such business by employees of
20 such business are performed within a qualified
21 closed base,

22 “(5) less than 5 percent of the average of the
23 aggregate unadjusted bases of the property of such
24 individual which is used in such business is attrib-
25 utable to collectibles (as defined in section

1 408(m)(2)) other than collectibles that are held pri-
2 marily for sale to customers in the ordinary course
3 of such business, and

4 “(6) less than 5 percent of the average of the
5 aggregate unadjusted bases of the property of such
6 individual which is used in such business is attrib-
7 utable to nonqualified financial property.

8 For purposes of this subsection, the term ‘employee’ in-
9 cludes the proprietor.

10 “(d) QUALIFIED BUSINESS.—For purposes of this
11 section—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the term ‘qualified business’
14 means any trade or business.

15 “(2) RENTAL OF REAL PROPERTY.—The rental
16 to others of real property located in a qualified
17 closed base shall be treated as a qualified business
18 if and only if—

19 “(A) in the case of real property which is
20 not residential rental property (as defined in
21 section 168(e)(2)), the lessee is a closed base
22 business, or

23 “(B) in the case of residential rental prop-
24 erty (as so defined)—

1 “(i) such property was originally
2 placed in service after the date the base
3 was closed, or

4 “(ii) such property is rehabilitated
5 after such date in a rehabilitation which
6 meets requirements based on the principles
7 of section 42(e)(3).

8 “(3) RENTAL OF TANGIBLE PERSONAL PROP-
9 ERTY.—The rental to others of tangible personal
10 property shall be treated as a qualified business if
11 and only if substantially all of the rental of such
12 property is by closed base businesses or by residents
13 of a qualified closed base.

14 “(4) TREATMENT OF BUSINESS HOLDING IN-
15 TANGIBLES.—The term ‘qualified business’ shall not
16 include any trade or business consisting predomi-
17 nantly of the development or holding of intangibles
18 for sale or license.

19 “(5) CERTAIN BUSINESSES EXCLUDED.—The
20 term ‘qualified business’ shall not include—

21 “(A) any trade or business consisting of
22 the operation of any facility described in section
23 144(c)(6)(B), and

24 “(B) any trade or business the principal
25 activity of which is farming (within the meaning

1 of subparagraphs (A) or (B) of section
2 2032A(e)(5)), but only if, as of the close of the
3 preceding taxable year, the sum of—

4 “(i) the aggregate unadjusted bases
5 (or, if greater, the fair market value) of
6 the assets owned by the taxpayer which are
7 used in such a trade or business, and

8 “(ii) the aggregate value of assets
9 leased by the taxpayer which are used in
10 such a trade or business,
11 exceeds \$500,000.

12 For purposes of subparagraph (B), rules similar to
13 the rules of sections 52 (a) and (b) shall apply.

14 “(e) NONQUALIFIED FINANCIAL PROPERTY.—For
15 purposes of this section, the term ‘nonqualified financial
16 property’ means debt, stock, partnership interests, op-
17 tions, futures contracts, forward contracts, warrants, no-
18 tional principal contracts, annuities, and other similar
19 property specified in regulations; except that such term
20 shall not include—

21 “(1) reasonable amounts of working capital
22 held in cash, cash equivalents, or debt instruments
23 with a term of 18 months or less, or

24 “(2) debt instruments described in section
25 1221(4).

1 **“SEC. 1395. QUALIFIED CLOSED MILITARY BASE DEFINED.**

2 For purposes of this subchapter, the term ‘qualified
3 closed military base’ means any military installation if—

4 “(1) such installation was closed pursuant to
5 the Defense Base Closure and Realignment Act of
6 1990 (10 U.S.C. 2687 note), and

7 “(2) the Secretary of Defense certifies to the
8 Secretary that at least 1,000 workers on such instal-
9 lation or in surrounding areas were displaced by rea-
10 son of such closure.

11 **“SEC. 1396. REGULATIONS.**

12 “The Secretary shall prescribe such regulations as
13 may be necessary or appropriate to carry out the purposes
14 of this subchapter, including—

15 “(1) regulations limiting the benefit of this part
16 in circumstances where such benefits, in combination
17 with benefits provided under other Federal pro-
18 grams, would result in an activity being 100 percent
19 or more subsidized by the Federal Government,

20 “(2) regulations preventing abuse of the provi-
21 sions of this part, and

22 “(3) regulations dealing with inadvertent fail-
23 ures of entities to be closed base businesses.”

24 (b) CLERICAL AMENDMENT.—The table of sub-
25 chapters for chapter 1 is amended by inserting after the
26 item relating to subchapter T the following new item:

“Subchapter U. Investment incentives for closed military bases.”

1 **SEC. 302. SPECIAL RULES FOR REDEVELOPMENT BONDS**
2 **PROVIDING FINANCING FOR CLOSED MILI-**
3 **TARY BASES.**

4 (a) IN GENERAL.—Subsection (c) of section 144 (re-
5 lating to qualified redevelopment bonds) is amended by
6 adding at the end thereof the following new paragraph:

7 “(9) SPECIAL RULES FOR TAX ENTERPRISE
8 ZONES.—For purposes of this subsection, in the case
9 of bonds issued during the period beginning on the
10 date a qualified closed military base is closed and
11 ending on November 30, 1997—

12 “(A) TREATMENT AS DESIGNATED
13 BLIGHTED AREA.—Such area shall be treated
14 as a designated blighted area. Any area des-
15 ignated by reason of the preceding sentence
16 shall not be taken into account in applying
17 paragraph (4)(C).

18 “(B) SECURITY FOR BONDS.—The require-
19 ments of paragraph (2)(B) shall be treated as
20 met with respect to a financed area that is
21 within a qualified closed military base if the
22 general purpose governmental unit guarantees
23 the payment of principal and interest on the
24 issue either directly or through insurance, a let-
25 ter of credit, or a similar agreement but only if

1 the cost thereof is financed other than with pro-
2 ceeds of any tax-exempt private activity bond or
3 earnings on such proceeds.

4 “(C) EXPANSION OF REDEVELOPMENT
5 PURPOSES.—

6 “(i) IN GENERAL.—The term ‘revel-
7 opment purposes’ includes the making of
8 loans to any closed base business (as de-
9 fined in section 1394) for—

10 “(I) the acquisition of land with-
11 in the qualified closed base for use in
12 such business, or

13 “(II) the acquisition, construc-
14 tion, reconstruction, or improvement
15 by such business of land, or property
16 of a character subject to the allowance
17 for depreciation, for use in such busi-
18 ness.

19 “(ii) \$2,500,000 LIMITATION.—Clause
20 (i) shall apply to loans made to any closed
21 base business only if the aggregate prin-
22 cipal amount of such loans (whether or not
23 financed by the same issue) does not ex-
24 ceed \$2,500,000. For purposes of the pre-
25 ceding sentence, all persons treated as a

1 single employer under subsection (a) or (b)
2 of section 52 shall be treated as 1 person.

3 “(iii) LOANS MUST BE MADE WITHIN
4 18 MONTHS AFTER BONDS ISSUED; REPAY-
5 MENTS MUST BE USED FOR REDEMP-
6 TIONS.—Clause (i) shall apply only to
7 loans—

8 “(I) made during the 18-month
9 period beginning on the date of issu-
10 ance of the issue financing such loan,

11 “(II) repayments of principal on
12 which are used not later than the
13 close of the 1st semiannual period be-
14 ginning after the date the repayment
15 is received to redeem bonds which are
16 part of such issue, and

17 “(III) the effective rate of inter-
18 est on which does not exceed the yield
19 on the issue by more than 0.125 per-
20 centage points.

21 In determining the effective rate of interest
22 for purposes of subclause (III), there shall
23 be taken into account all fees, charges, and
24 other amounts (other than amounts for
25 any credit report) borne by the borrower

1 which are attributable to the loan or the
2 bond issue.

3 “(iv) HOUSING LOANS EXCLUDED.—
4 Clause (i) shall not apply to any loan to be
5 used directly or indirectly to provide resi-
6 dential real property.

7 “(v) COORDINATION WITH RESTRIC-
8 TIONS ON USE OF PROCEEDS.—Paragraphs
9 (6) and (8) shall apply notwithstanding
10 clause (i); except that in applying para-
11 graph (6), subsection (a)(8) shall be treat-
12 ed as not including a reference to a facility
13 the primary purpose of which is retail food
14 services.

15 “(D) ISSUER TO DESIGNATE AMOUNT OF
16 ISSUE TO BE USED FOR LOANS.—Subparagraph
17 (C) shall not apply with respect to any issue
18 unless the issuer designates before the date of
19 issuance the amount of the proceeds of such
20 issue which is to be used for loans to which
21 subparagraph (C)(i) applies. If such amount ex-
22 ceeds the principal amount of loans to which
23 subparagraph (C)(i) applies, an amount of pro-
24 ceeds equal to such excess shall be used not
25 later than the close of the 1st semiannual pe-

1 riod beginning after the close of the 18-month
2 period referred to in subparagraph (C)(iii) to
3 redeem bonds which are part of such issue.

4 “(E) DE MINIMIS REDEMPTIONS NOT RE-
5 QUIRED.—Subparagraphs (C)(iii) and (D) shall
6 not be construed to require amounts of less
7 than \$250,000 to be used to redeem bonds. The
8 Secretary may by regulation treat related issues
9 as 1 issue for purposes of the preceding sen-
10 tence.

11 “(F) PENALTY.—

12 “(i) IN GENERAL.—In the case of
13 property with respect to which financing
14 was provided under this paragraph, if at
15 any time during the 10-period beginning
16 on the date such financing was provided—

17 “(I) such property ceases to be in
18 use in a closed base business (as de-
19 fined in section 1394), or

20 “(II) substantially all of the use
21 of such property ceases to be in a
22 qualified closed base,

23 there is hereby imposed on the trade or
24 business to which such financing was pro-
25 vided a penalty equal to 1.25 percent of so

1 much of the face amount of all financing
2 provided (whether or not from the same
3 issue and whether or not such issue is out-
4 standing) before such cessation to the
5 trade or business using such property.

6 “(ii) NO PENALTY BY REASON OF
7 ZONE TERMINATION.—No penalty shall be
8 imposed under clause (i) solely by reason
9 of the termination of the treatment of an
10 area as a qualified closed base.

11 “(iii) EXCEPTION FOR BANK-
12 RUPTCY.—Clause (i) shall not apply to any
13 cessation resulting from bankruptcy.”

14 (b) VOLUME CAP ONLY CHARGED WITH 50 PER-
15 CENT OF TAX ENTERPRISE ZONE REDEVELOPMENT
16 BONDS.—Subsection (g) of section 146 is amended by
17 striking “and” at the end of paragraph (3), by striking
18 the period at the end of paragraph (4) and inserting “,
19 and”, and by adding at the end thereof the following new
20 paragraph:

21 “(5) 50 percent of any qualified redevelopment
22 bond issued as part of an issue 95 percent or more
23 of the net proceeds of which are to be used for 1 or
24 more redevelopment purposes (as defined in section
25 144(c)) in a qualified closed base.”

1 (c) PENALTIES FOR LOANS MADE TO BUSINESSES
2 THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES,
3 ETC.—Subsection (b) of section 150 is amended by adding
4 at the end thereof the following new paragraph:

5 “(6) ENTERPRISE ZONE REDEVELOPMENT
6 BONDS.—In the case of any financing provided by
7 an issue the interest on which is exempt from tax by
8 reason of section 144(c)(9)—

9 “(A) IN GENERAL.—No deduction shall be
10 allowed under this chapter for interest on such
11 financing which accrues during the period be-
12 ginning on the first day of the calendar year
13 which includes the date on which—

14 “(i) the trade or business to which the
15 financing was provided ceases to be a
16 closed base business (as defined in section
17 1394

18 “(ii) substantially all of the use of the
19 property (determined in accordance with
20 subchapter U) with respect to which the fi-
21 nancing was provided ceases to be in a
22 qualified closed base.

23 The preceding sentence shall not apply solely by
24 reason of the treatment of an area as a quali-
25 fied closed base.

1 “(B) EXCEPTION FOR BANKRUPTCY.—This
2 paragraph shall not apply to any cessation re-
3 sulting from bankruptcy.”

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to obligations issued after the date
6 of the enactment of this Act.

7 **TITLE IV—USE OF TRANS-**
8 **FERRED DEFENSE FUNDS**
9 **FOR PROVISION OF SERVICES**
10 **TO CERTAIN DISLOCATED DE-**
11 **FENSE WORKERS UNDER JOB**
12 **TRAINING PARTNERSHIP ACT**

13 **SEC. 401. USE OF TRANSFERRED DEFENSE FUNDS.**

14 (a) IN GENERAL.—Title III of the Job Training
15 Partnership Act (29 U.S.C. 1651 et seq.) is amended by
16 adding at the end the following new section:

17 **“SEC. 327. USE OF TRANSFERRED DEFENSE FUNDS FOR**
18 **PROVISION OF SERVICES TO CERTAIN DIS-**
19 **LOCATED DEFENSE WORKERS.**

20 “(a) IN GENERAL.—From funds transferred under
21 section 402(a) of the Economic Resurgence and Jobs for
22 America Act for a fiscal year, the Secretary shall allot
23 such funds to a State for the program year ending in such
24 fiscal year in accordance with subsection (b) for reim-
25 bursement of the provision of employment and training as-

1 sistance under this title to individuals who have been ter-
2 minated, laid off, received notice of termination or lay off,
3 or have been notified that they will receive notice of termi-
4 nation or layoff due to a closure of a qualified military
5 base.

6 “(b) ALLOTMENT AMONG STATES.—The Secretary
7 shall allot funds described in subsection (a) to a State in
8 an amount equal to the product of—

9 “(1) \$3,810; and

10 “(2) the number of individuals described in sub-
11 section (a) receiving employment and training assist-
12 ance under this title for such program year in such
13 State.

14 “(c) WITHIN STATE DISTRIBUTION.—The Governor
15 of a State that receives an allotment of funds under sub-
16 section (b) shall distribute such funds to substate areas
17 for services provided to individuals described in such sub-
18 section.

19 “(d) CERTIFICATION PROCEDURES.—The Secretary,
20 in conjunction with the Secretary of Defense, shall estab-
21 lish certification procedures to determine whether an indi-
22 vidual receiving assistance under this title is an individual
23 described in subsection (a).

1 “(e) QUALIFIED MILITARY BASE DEFINED.—For
2 purposes of this section, the term ‘qualified military base’
3 means any military installation if—

4 “(1) such installation was closed pursuant to
5 the Defense Base Closure and Realignment Act of
6 1990 (10 U.S.C. 2687 note); and

7 “(2) the Secretary of Defense certifies to the
8 Secretary of Labor that at least 1,000 workers on
9 such installation or in surrounding areas were dis-
10 placed by reason of such closure.”.

11 (b) CONFORMING AMENDMENT.—The table of con-
12 tents of the Job Training Partnership Act is amended by
13 inserting after the item relating to section 326 the follow-
14 ing new item:

“Sec. 327. Use of transferred defense funds for provision of services to
certain dislocated defense workers.”.

15 **SEC. 402. TRANSFER OF DEFENSE FUNDS.**

16 (a) IN GENERAL.—From funds available to the Sec-
17 retary of Defense for defense reinvestment and economic
18 growth for a fiscal year, the Secretary of Defense shall
19 transfer such funds to the Secretary of Labor for the pro-
20 gram year ending in such fiscal year in an amount equal
21 to the sum of the amounts determined under section
22 327(b) of the Job Training Partnership Act for all States
23 receiving an allotment under such section for such pro-
24 gram year.

1 (b) TIMELY TRANSFER.—The Secretary of Defense
2 shall transfer funds described in subsection (a) to the Sec-
3 retary of Labor in a timely manner.

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